Business of IP Asia Forum
亞洲知識產權營商論壇

Resolution of IP disputes – Recent developments
知識產權糾紛的排解 – 最新發展

Hong Kong's proposal to solve issues on arbitrability of IP disputes

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A. Arbitration Amendment Bill 2016

- A Bill to amend the Arbitration Ordinance (Cap. 609) to clarify that disputes over intellectual property rights are arbitrable and that it is not contrary to the public policy of Hong Kong to enforce arbitral awards involving intellectual property rights ("IPR")

- Government Working Group on Intellectual Property Trading (March 2013) to study the overall strategy for promoting Hong Kong as an IP trading hub

A. Arbitration Amendment Bill 2016

- 2 sub-groups (October 2013):
  - Sub-Group on IP valuation – Brookes as Convenor
  - Sub-Group on IP Arbitration and Mediation(IPAM) – Kwong as Convenor
    - To look into the strategic area of IP ADR with the view to developing Hong Kong into an IP ADR hub
    - Working Group on IP Trading recommended the use of ADR as one of the means to promote IP trading in Hong Kong [March 2015 Report]

A. Arbitration Amendment Bill 2016

- The IPAM Sub-Group recommended statutory guidance on arbitrability of IP disputes as one measure to improve the IP ADR infrastructure of Hong Kong

- Proposal: Amendment of Arbitration Ordinance by including a provision to the effect that "IP disputes are arbitrable, an arbitral award involving the validity of IP will be recognized and enforced between the parties to the arbitration"

  (Convenor's draft working paper May 2015)

A. Arbitration Amendment Bill 2016

- [Asian Patent Attorneys Association Hong Kong 2009 Conference – IP ADR: Panacea or Pain? (Panelists included Justice Rogers, Erik Wilbers – Director of WIPO Arbitration and Mediation Center and C. K. Kwong)
- Straw Poll-Motion for “National laws should expressly state or confirm IP disputes are arbitrable, arbitral awards involving the validity of patents and trademarks will be recognized and enforced between the parties” passed]
- Working Group on Arbitrability of IPR (May 2015): DOJ, IPD, HKIAC, HKBAR, IPAMWG)

A. Arbitration Amendment Bill 2016

- Rounds of consultations and 18 drafts (November 2015 to November 2016)
- Bill gazetted on 2nd December 2016
- A new Part 11A added to Arbitration Ordinance provides for arbitration relating to intellectual property rights (IPR) with 10 sections (103A, B, C, D, E, F, G, H, I and J)
- Main parts of the Arbitration Amendment Ordinance is intended to come into operation on 1st October 2017

A. Arbitration Amendment Bill 2016

- **103F**: (a) IP disputes are arbitrable under the Hong Kong law and (b) an IP arbitral award is not against Hong Kong public policy (for the purpose of Section 81 – setting aside of arbitral award)

- **103G**: IP disputes are arbitrable and IP arbitral awards are not against public policy in Hong Kong (for the purposes of Sections 86(2)(a), 89(3)(a), 95(3)(a) and 98D(3)(a) – grounds for refusal of enforcement of arbitral/ Convention/ Mainland/ Macau awards)

- **103B**: IPR may be registered or unregistered, local or overseas (e.g. patent, trademark, design, copyright, domain name, IC, plant variety, confidential information, goodwill, IPR of any other nature)

A. Arbitration Amendment Bill 2016

- **103C**: IPR disputes includes those over enforceability, infringement, subsistence, validity, ownership, scope, duration or any other aspects of an IPR as well as those over transactions and compensation payable

- **103D**: IPR disputes may be arbitrated "as between the parties to the IPR disputes"

Arbitrable even if the law in Hong Kong or elsewhere gives jurisdiction to decide the IPR dispute to a specified entity or does not mention arbitration an a means of resolution

- Generally, the arbitral tribunal has power to award any remedy or relief that could have been ordered by the Court but subject to any agreement as the parties may otherwise agree

- **103E**: The position of third party licensees are not affected

A. Arbitration Amendment Bill 2016

- **103H, 103I and 103J**:
  - By way of clarification: awards to which the Arbitration Ordinance applies include both local and foreign tribunal awards and entry of judgments in terms of such awards correspond
    - Section 73(1) provides "Unless otherwise agreed by the parties, an award made by an arbitral tribunal pursuant to an arbitration agreement is final and binding on the parties"
    - Validity of a patent may be put in issue despite Section 101(2) of the Patents Ordinance
    - Party may commence arbitration in relation to a short term patent whether or not the condition of substantive examination is satisfied under Section 129(1) of the Patents Ordinance

B. Background to the trend for Arbitration of International IP Disputes

1. Commercial realities

- International (multi-parties/subject matters/disputes)
- Different laws and legal systems
- Technical (not often dealt with by court)
- IP has limited life of protection
- Confidentiality is important
- Time, costs in multi-jurisdiction parallel court cases

Arbitration simply described
仲裁簡述

Businessmen want to resolve their disputes promptly and move on.

"a private process[1] in which parties agree[2], to have their dispute decided for them[3] by a 3rd party arbitrator[4] resulting in a binding decision imposed[5] upon them by the arbitrator, which can be enforced by law."

B2. New York Convention (Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1959)

- New York Convention (currently with 156 acceding states) provides common legislative standards for the recognition and enforcement of arbitration agreements and awards.

- Article V(1): recognition and enforcement may be refused, inter alia, if
  - Arbitration agreement invalid under the applicable law agreed upon or, failing that under the law of country where the award was made

- Article V(2): recognition and enforcement may be refused, inter alia, if
  - Subject matter is not capable of arbitration
  - Contrary to public policy

- Different degrees of arbitrability of IP disputes in various countries. Examples:-
  - Switzerland, Belgium, USA,
  - UK, Hong Kong, Singapore, Germany
  - Latin America, Israel

B3. Broad policy arguments against

- A registered IP right is granted by the State
- Validity decided by a private tribunal is against public policy
- Dispute on validity of registered IP rights not arbitrable

B4. Policy and practical considerations for

- Arbitration is consensual
- [Rejection of the invalidity claim will be assertion of the granting authority's position]
- Invalidity declared in arbitration is of inter-partes effect only (it does not affect the registration of the patent at the patent registry which remains intact)
- [effectively an irrevocable and royalty-free license over the asserted patent (points of claim may ask patentee to be bound by the arbitrator's decision and withdraw the patent registrations if it is held invalid by the arbitrator)

B4. Policy and Practical Consideration for

- (if the parties can settle privately and agree to freely dispose of their IPR, like licensing, transfer, withdrawal, agreement to arbitrate, it should also be acceptable to contractually waive certain rights or argument between the parties]
- Public policy favour facilitation of international commerce
- Public Policy requires prompt resolution of IP disputes and enforcement of rights for IPR owners
- Arbitral and tribunal not a state authority and not obliged to enforce the public policy of any jurisdiction
- The argument about state sovereignty is a formalistic one (in jurisdictions where IP rights are granted with little or no review)
- Cases involving a multitude of IPRs may have separate awards rendered (e.g. validity, liability, damages, special national IPRs)

C1. Practical Needs – Current Trends – Support

- Academics and practitioners – Trevor Cook – Alejandro Garcia

  “International Intellectual Property Arbitration” 2010 Ed. – Chapter 4 – Arbitrability of IP Disputes

- All IP disputes should be arbitrable
- Lack of specific guidance in national legislation on issues of arbitrability on IP disputes constitutes the main source of doubts among practitioners.
- ICC Case No. 6097 of 1989

C2. Practical Needs – Current Trends – Support

- Unified Patent Court Agreement: UK Government (announcement on 28th November 2016) confirmed that it is proceeding with preparation to ratify the Unified Patent Court Agreement (UPC) – the new unitary patent regime can come into effect only when at least 13 member states have ratified the agreement on the UPC, including France, Germany and UK)

- 11.2 of the Rules of Procedure of the Unified Patent Court:-

"The Court shall, if requested by the parties, by decision confirm the terms of any settlement or arbitral award by consent……, including a term which obliges the patent owner to limit, surrender or agree to the revocation of the patent or not to assert it against the other party and/or third parties……[18th draft adopted by the UPC Preparatory Committee on 19th October 2015 after 6 years]

D. Applicable laws in an arbitration (at least 5 sets of laws)

1. The law governing the arbitration agreement/ arbitral clause
2. The law of the seat of arbitration
3. The law governing the merits (subject matter) of the case (e.g. laws in the place of registration or performance)
4. The law of the parties' domicile
5. The law of the place of enforcement

E. Advantages of choosing Hong Kong law/seat in the future

- When the new legislation is passed, parties choosing Hong Kong law as the lex arbitri governing the arbitration agreement/(arbitration clause) and/or Hong Kong seat (legal place of arbitration) and the relevant tribunal will not have to worry about jurisdictional challenges on IP arbitrability under
  - New York Convention Article V(1)(a) corresponding to UNCITRAL model law – Article 36(1)(a)(i)
  - New York Convention Article V(2)(a)(b) corresponding to UNCITRAL model law Article 36(1)(b)(i)(ii)
- The proposed legislation is facilitative. It is neutral in nature. It does not give power or jurisdiction to any arbitral tribunal overriding those of the courts/ relevant IP registries in the 156 New York Convention States to adjudicate on the validity of the registered IP rights.

E. Advantages of choosing Hong Kong law/seat in the future

- With the clear statutory guidance under the Hong Kong legislation, at least those choosing Hong Kong law to govern the arbitration agreement (which may not be the law governing the subject matter of the disputes) and/or Hong Kong seat, will not have the worries on jurisdiction challenges under New York Convention Article V(1)(2).

- [Parties outside Hong Kong may deliberately choose Hong Kong law and/or Hong Kong seat which has nothing to do with the parties or the subject matters in dispute.

- They may want to have a neutral forum to avoid home ground advantage, our good infrastructure, a pro-arbitration court system, availability of expert panels, good supporting professional service, convenient geographical location, etc].

D. Advantages of choosing Hong Kong law/seat in the future

- Whether an award (resulting from an arbitration using Hong Kong laws as lex arbitri and/or with a Hong Kong seat) can be enforced in all or any of the other 155 New York Convention States is a different matter. It is always subject to the local laws of the relevant jurisdictions like any other types of arbitral awards.

- If the new legislation is passed, Hong Kong will have an added competitive edge above those jurisdictions which do not provide a clear statutory guidance to address the potential concerns and uncertainties on arbitrability.

Thank You!

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